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Discount Store News®

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SECOND CLASS

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***Warren Feldberg,** Target's new president, will stress teamwork and strive to differentiate the chain's merchandise from the competition.*

Feldberg Takes Reins As Target's New Prez

MINNEAPOLIS — Target's new president is a 41-year-old merchandising executive whose management style emphasizes teamwork and whose retail philosophy is firmly rooted in serving the customer.

Warren D. Feldberg, Target's executive vice president of merchandising since March 1988, was promoted to president of the nation's third largest discount chain last month.

Feldberg had been serving as executive vice president, merchandising, since March, 1988, having transferred from a similar post at Lechmere, then another division of Target's parent Dayton Hudson.

The president's position had been vacant since October 1987, when Ulrich moved up from his role as president and chief operating officer to re-

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Wal-Mart Joins Rush to Open In Puerto Rico

By Arthur Markowitz

SAN JUAN, Puerto Rico — Wal-Mart plans to open three discount stores and a membership warehouse in Puerto Rico, but the move also involved the discounter in a legal skirmish with rival Kmart over two of the four sites.

Wal-Mart is set to debut in the island commonwealth with a 110,000-square-foot discount store in the Mayaguez Mall in Mayaguez later this year. It will follow up with two more Wal-Marts and a Sam's Wholesale Club in the spring '92. The retailer is developing the Mayaguez store, which will be part of the expansion.

(Continued on page 53)

Hills Secures Financing To Re-Establish Footing

By Laura Liebeck

CANTON, Mass. — Hills has secured $100 million in Debtor-in-Possession financing to restock shelves that have been emptying since before its Chapter 11 filing early this month.

Federal bankruptcy court is expected Feb. 25 to authorize Hills to draw on another $150 million in DIP financing from Chemical Bank.

Hills' bankruptcy petition, filed Feb. 4 in U.S. Bankruptcy Court for the Southern District of New York, listed liabilities of $1.255 billion and assets of $1.263 billion as of Nov. 3, the end of Hills' third quarter. However, president John Brouillard told *DSN* that as of Dec. 31, 1990, assets totaled $993 million and liabilities were between $950 million and $975 million.

Long expected by retail analysts who follow Hills, the Chapter 11 filing became necessary after the discounter failed to create a restructuring plan acceptable to its bank lending group. In addition, the chain was suffering with a growing out-of-stock position. The bankruptcy filing estimated that inventory levels were 25% below a year ago. Particularly hard hit have been spring apparel and H&BA, which were "sold out," said Brouillard.

> ***'We worked real hard to avoid this but I couldn't let the stores go any further without merchandise. Our goal was to avoid Chapter 11.'***
>
> **—John Brouillard, Hills, president**

"We worked real hard to avoid this but I couldn't let the stores go any further without merchandise," said Brouillard. "Our goal was to avoid Chapter 11."

The $250 million DIP financing, called "more than sufficient" by Brouillard, is intended to provide Hills with sufficient cash and a letter of credit capacity to purchase inventory necessary to keep the stores operating and maintain its customer base, the filing stated.

Chemical Bank, which is providing the $250 million in DIP funds, is a new bank source.

Inventories should be back to normal levels by the beginning of March, he said, noting that H&BA stock would more quickly return to normal because vendors are ready to ship.

Hills is being represented by the New York law firm of Kaye, Scholer, Fierman, Hays & Handler.

Cutting expense levels is the next order of business, Brouillard said. The chain's store

(Continued on page 54)

Stevens Resigns From Top Post at Fred Meyer

***Analysts are at a loss** to explain why Fred Meyer's chairman and ceo Fred Stevens resigned.*

By Richard C. Halverson

PORTLAND, Ore. — The consensus among West Coast analysts is that Kohlberg Kravis Roberts, the leveraged buyout firm that controls the Fred Meyer board, didn't force Frederick M. Stevens to resign late last month as chairman and chief executive officer.

At the same time, analysts can only speculate about why Stevens suddenly left just as the chain began to turn around from its operating profits slump. The people who do know the reason—Stevens and the four of seven board members that KKR controls through owning 65% of the stock—aren't telling.

In a brief statement that took Fred Meyer executives by surprise, Stevens said he quit "to seek new opportunities and challenges." His housekeeper said he and his wife left the next day for a month's vacation, destination undisclosed.

The business press around Portland is buzzing with rumors that KKR forced Stevens out of his position, which paid him $582,780 last year, because his modernization program proved too costly and hurt earnings.

But analysts doubt that KKR, which bought Fred

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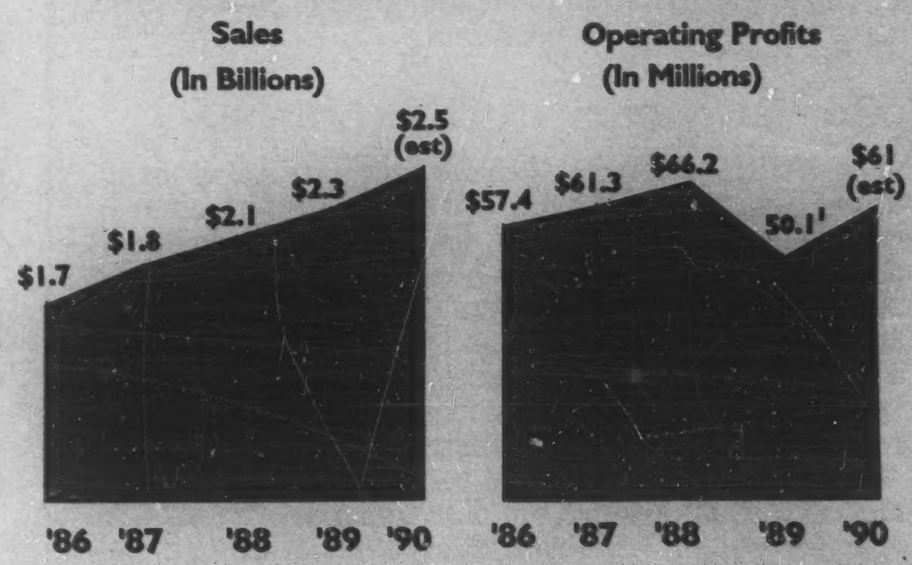
Fred Meyer Operating Profits and Sales



[1] *Before $49.3 million chargeoff for new computer system. Operating profits were $814,000 after charge.*

Source: Fred Meyer annual report for 1989, Gallagher Capital Corp. estimates

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MARKETWATCH

Wal-Mart, Kmart Battle for No. 1 Spot

NEW YORK — It's official, almost. Wal-Mart now operates the nation's largest discount store chain. The Bentonville, Ark., retailer reported 1990 sales (12 months ended Jan. 31, 1991) of $32.6 billion. However, after deducting one month's worth of sales for its recently acquired McLane wholesale food subsidiary and yearly sales for its Sam's Wholesale Club division (which it hasn't broken out yet), Wal-Mart's discount department store sales were probably about $25 billion last year. Defending discount store champ, Kmart, reported corporate sales of $32.1 billion in 1990. After subtracting Kmart's specialty store and Pace Membership Club sales (both as yet undisclosed), Kmart's discount store division had about $24.5 billion in sales last year, about $500 million less than Wal-Mart. Kmart was the largest discounter for the past two decades. *DSN* will release its official discount store sales estimates in its State of the Industry census, July 22.

Wal-Mart Ends Convenience Store Test

BENTONVILLE, Ark. — Wal-Mart, which continually tests various retailing concepts, has ended its convenience store experiment by selling the nine units to Conoco, a major convenience store operator. The Wal-Mart Super USAs include eight stores spotted in the parking lots of Wal-Mart's Hypermart USAs in Arlington and Garland, Texas; Kansas City, Mo.; and Topeka, Kan., and the Wal-Mart SuperCenters in Poplar Bluff, Jefferson City and Farmington, Mo., and Springdale, Ark.

Pace Plans to Beef Up All Its Clubs

AURORA, Colo. — Pace continues to press ahead with its plan to have fresh produce, meat and bakery products in all its clubs. Staffing calls for managers for bakery, meat and produce, along with bakers, meat cutters, weighers/wrappers and produce clerks. These departments, in 38 of its 61 stores at year-end, this quarter are set to go into 17 more units: Gardena, El Monte, Downey, San Fernando, Woodland Hills and Fullerton, Calif.; Kalamazoo, Saginaw and Ypsilanti, Mich.; Charlotte and Greensboro, N.C.; Pittsburgh and Monroeville, Pa.; Lexington, Ky.; Des Moines, Iowa; Fort Collins, Colo., and Landover, Md. The departments will also be phased into the 17 Price Savers that Pace acquired last year.

Pic 'N' Save's January Sales Rise 1.1%

DOMINGUEZ, Calif. — Blaming the Persian Gulf War, Pic 'N' Save reported that January sales rose 1.1%, compared with 15% for the whole year ended Feb. 3, 1991. Several of the closeout stores are near military bases and experienced severe declines. Same store sales slumped 6.2% in January alone but rose 5.5% for the year. Sales for 1990 totaled $515.9 million, compared with $448.6 million in 1989. The 191-store chain released no earnings figures.

Jamesway Reports 6% Increase in Sales

SECAUCUS, N.J. — Jamesway reported sales for the year ended Feb. 2, 1991, were up 6% from a year earlier, totaling $896 million. Same store sales were flat for this period. The chain of 134 stores also reported that sales for the 13 weeks ended Feb. 2 were up by only 1%, while same store sales were down by 4%. Lackluster sales have plagued the retailer for the last year. However, analysts note that Jamesway has a stronger balance sheet than other troubled retailers and is "not overloaded with debt." The chain is also expected to announce some management changes, including a new president.

McCrory Creditors to Tighten Reins

NEW YORK — Credit agencies serving apparel manufacturers have warned them to tighten credit reins on money-losing McCrory Corp., York, Pa. Bernard Saads Credit Consultants also recommended holding shipments pending fourth quarter results. During the 12 months ended Oct. 31, 1990, McCrory lost $54.1 million in operations on sales of $1.51 billion from about 1,200 variety stores. Phil Lux, coo of McCrory Stores, said he has "no idea" why they took the action since McCrory is paying its bills and has met all interest payments on its bonds. "We've had no trouble with shipments, and our stores are full of merchandise," Lux said. The bond default of Rapid-American Corp., an affiliate company in the Rikus Holding Corp. structure has no bearing on McCrory bonds. Nonetheless, Moody's has lowered the rating on $2.7 billion worth of debt on all entities in the holding company, including McCrory.

Price Club Exits Buffalo Market

By Arthur Markowitz

SAN DIEGO — The Price Co. for the first time in its history will pull out of a market when it closes its only Price Club in the Buffalo, N.Y., area March 3.

The closing is symbolic of Price Club's loss of its status as the leading wholesale club, the innovative chain that competitors try to emulate.

But the closing isn't indicative of any change in the firm's fortunes. Its current 56 United States stores still remain the leader in individual unit sales, with over $100 million being the average volume. Price Co.'s total sales last year, including volume from its 10 Canadian clubs, were $5.3 billion—second highest in the industry—and are projected to grow over 22% this year to $6.5 billion.

The closing isn't even a blip on Price Club's growth as the wholesale club this year will markedly step up its expansion, with a dozen stores in the United States and Canada on the drawing board. In the past, it opened, on average, four to six units a year.

Price opened its 111,000-square-foot club in the Buffalo suburb of Cheektowaga in July 1990, "but unfortunately, sales have been far below what we expected and we do not anticipate profitability at the [store] for some time to come," said Ted Wallace, chief operating officer for the East Coast.

The company owns the site, which is in a retail-oriented shopping area. The shopping area includes a Pace and an OW Office Warehouse as tenants in the Union Consumer Square strip center about a half mile away, and two major shopping centers nearby: the 1.2 million-square-foot upscale Walden Galleria and the 856,000-square-foot Thruway Mall.

The Cheektowaga closing follows Price's shutting last fall of two test home office furniture stores. Merchandising ideas gleaned from the test are being used in many Price Clubs as expanded furniture sections are installed.

Trade observers contend that Price's move out of the Buffalo market and the closing of the two furniture stores indicate a new attitude—a recognition that the wholesale club business is changing and Price, despite its core merchandising strength, doesn't have all the answers. Execs are now studying what competitors are doing, just as other clubs acknowledged that they closely watched Price in the past in order to challenge the industry founder.

BJ's Wholesale Club has two units in the Buffalo market, one about six miles away from Price Club and Pace in Hamburg and the other about 18 miles away in Tonawanda.

The Price Club site is also about a mile from the Cheektowaga exit of the New York State Thruway. Real estate sources in the market expect the store will be converted into a warehouse to serve some local or Canadian manufacturer. Buffalo is across the Niagara River from Canada.

SPARC Rescheduled to Traditional August Date

NEW YORK — The annual SPARC (Supplier Performance Awards by Retail Category) awards dinner will not be held in conjunction with the International Mass Retailing Convention this May as was previously announced by IMRA and *Discount Store News*.

The 14th annual SPARC banquet will be held at its traditional time during the National Hardware Show Sunday, August 11 at the Downtown Marriott, Chicago. *DSN* will continue to sponsor this industrywide awards program recognizing the partnership between retailers and suppliers.

The decision was made to postpone the *DSN*/IMRA partnership with SPARC due to recent executive changes at IMRA. Both groups agreed that "time was running out" to effectively organize a smooth move of SPARC to the IMRA convention.

DSN and IMRA said that postponing the move allows greater flexibility and organization for a joint arrangement at the 1992 IMRA convention in Orlando, Fla.

Reen Named CFO of Hills Stores

CANTON, Mass. — John G. Reen, long-time vice president and controller at Hills Department Stores, was named chief financial officer and senior vice president of the troubled discount chain at presstime. (See page 1).

Reen will be the primary investor contact in addition to overseeing all financial activities at Hills. He replaces John Brouillard, who was recently named president. A certified public accountant, Reen joined Hills 15 years ago from Coopers & Lybrand, where he was an audit supervisor.

"Jack brings with him a broad base of financial expertise and strong relationships with both our employees and the vendor community," Brouillard said. "The company will continue to benefit from his skills and insight."

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Mass Merchants Hope to Snatch Auto Alarm Biz

By Richard C. Halverson
Nationwide DSN Report

After years of watching specialty shops snatch away the market for auto theft alarms—which until now required costly professional installation—mass merchants now can stock easily installed, inexpensive systems that most do-it-yourself customers can handle.

Some alarm systems, considered mobile, require no installation whatsoever and can be switched from car to car.

Moreover, a growing number of states that require auto insurers to offer discounts for auto security systems is helping to drive the business. Indeed, a new Massachusetts law permits insurers to sock owners of frequently stolen cars, such as the Camaro, with a 50% *penalty* on their comprehensive coverage if they fail to buy an alarm.

In its ads, The Fair, a seven-store chain based in Worcester, Mass., is playing up the new Massachusetts insurance penalty, said Steve Sjogren, vice president, merchandising.

The Fair laid in a three sku assortment of new mass merchant systems from Audiovox, Hauppauge, N.Y., that sell for $69, $89 and $129, Sjogren said.

In stock since Dec. 1, The Fair experienced a 40% sell-through in seven weeks from two ads, Sjogren said.

"We're just getting into the category," Sjogren said. "It's too soon to tell what we'll do." The Fair also has ordered new DIY auto security systems from Kraco, traditionally a supplier of auto sound.

For auto security systems to sell in a mass market, customers must be able to install it themselves, Sjogren said. "They won't pay to have it installed."

That rules out Audiovox's new Stolen Vehicle Locator system, which signals when a car's been stolen through radio signals it transmits. Those same signals then pinpoint the location of the car so it can be recovered. Audiovox suggests a retail price of $1,000, including installation, plus a $15 monthly fee for the monitoring and locator service.

Installation is so complex that only specialty shops will handle it, said Patrick Lavelle, vice president, security.

All three of the DIY Audiovox systems The Fair has taken are passive, requiring no driver action to arm them, so they qualify for an insurance discount on comprehensive coverage that typically runs from 5% to 10%, depending on the state.

A number of states, including, Massachusetts, California, Connecticut, Florida, Illinois, Kentucky, Michigan, New Jersey as well as Canada, mandate insurance discounts, while Texas makes them optional. To the contrary, Maryland law forbids discounts.

The Fair also has ordered the Electronic Nightstick from Kraco, Encino, Calif., which combines a steering wheel lock with a siren and a built-in strobe light. Kraco suggests a retail of less than $100, and Pep Boys—Manny, Moe & Jack carries it at $79.95, everyday.

At the Winter CE Show last month, Audiovox introduced a wireless remote auto security system, designed to retail for $99 to $119. The control unit is mounted on the dash and plugs into the cigarette lighter, and the siren is magnet-mounted under the hood. Alligator clips affix two wires to the car's battery terminals.

"This is a security product for consumers who would never think of installing a car security system themselves," Lavelle said.

Full Function Remote Controlled Security System. Added convenience of remote door locking and unlocking
Remote Controlled Security System with built-in shock also features ultra sonic sensor for full interior protection.
Passive Security System with glass breakage detector.

***Audiovox** is one of many companies making DIY auto security systems that are far less expensive to install than those professionally installed by auto specialty shops, auto security shops or car dealers.*

In comparison, alarm systems installed at dealers and specialty shops typically might start at $350, Lavelle said.

Retailer margins on mass market systems run about 35% to 40%, Lavelle said.

Audiovox expects a 25% growth in sales to the mass market, Lavelle predicted.

Mass merchants are giving more space and more prominence to the category. "Auto security now appears on end-caps," Lavelle said. "You never saw that two years ago."

Sparkomatic, Milford, Pa., another auto sound supplier to mass merchants, also has ventured into the low-end auto security field with its Road Alert system, designed to retail for $69.99. Road Alert is a battery powered, portable alarm, no installation required.

Kraco diversified into auto security two years ago, with a mobile alarm that retails for $69 to $79. At CES in Las Vegas, Kraco unveiled three DIY alarm systems that require attaching one or two wires to the ignition or battery. The new systems carry suggested retails of $64.95, $119.95 and $159.95, said Allen McCreight, director of marketing.

Kraco also makes a version of its steering wheel lock that comes without electronic bells and whistles. Target has offered it as low as $29, McCreight said.

The Club, made by Winner International, established the steering wheel lock category, McCreight said. Winner might well sell a million units in 1991 at about $40 each, he estimated. The Fair carries The Club at $49.

"With the advent of mobile systems and those that DIY customers can install themselves, auto security in the mass market is growing very rapidly."

Auto glass identification, which is starting to scratch the mass market surface, also qualifies for insurance discounts.

In New Jersey, one insurance company is offering a 10% discount if owners etch vehicle identification numbers into all auto glass.

In Texas, insurers offer discounts of 2%, 6% and 10%, depending on the region.

Auto dealers charge anywhere from $80 to $200 for glass VIN etching, said Dennis Morrow, vp of Lectric Lites, Fort Worth, Texas.

The company is marketing a DIY acid etching kit, Thief Beware, that does the job for $19.95, Morrow said. Lectric Lites expects to ship 200,000 units in 1991, starting with smaller automotive chains.

The retail dollar value of installed security systems in 1991 will hit a projected $446 million, with unit sales of 3.25 million. The Car Audio Specialists Association/Vehicle Security Association estimated in its most recent market survey that new car dealers, auto security shops, and audio specialty shops would snare 85% of the business.

The survey projected a growth rate of 20% for passive systems from 1989 through 1994 and 14% for active systems, which drivers must remember to arm.

Auto aftermarket chains that offer installation would land 10% of sales, the survey concluded, while CES chains that install would handle 5%. That survey, however, was made in the fall of 1989, just as vendors were beginning to market mobile, and now DIY, systems for the mass market.

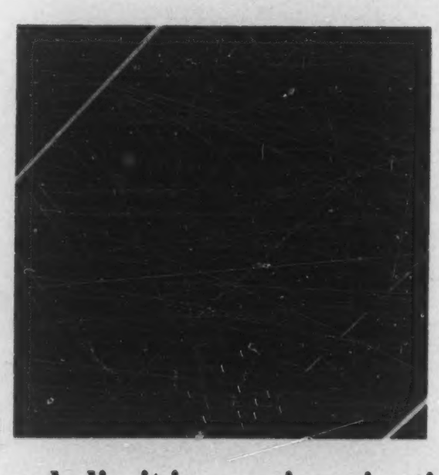
Auto Security Alarm Sales Forecast

Passive Systems	1989	1990	1991	1992	1993	1994	Growth Rate
Dollar Volume[1]	$298	$316	$333	$359	$372	$404	20%[3]
Unit Shipments[2]	2,020	2,300	2,500	3,100	3,400	4,000	
Active Systems							
Dollar Volume[1]	$95.4	$101.8	$113	$127.4	$137.9	$152.7	14%[3]
Unit Shipments[2]	516	617	750	885	1,040	1,220	

[1]Constant retail dollars, adjusted for inflation, in millions.
[2]Industry unit shipments, in thousands.
[3]Average annual growth rate, 1989 to 1994.

Source: Car Audio Specialists Association/Vehicle Security Association

Display Systems from Spencer Products



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Fred Meyer CEO Resigns

(Continued from page 1)

Meyer in 1981 and took it public in 1986, would force out the executive they hired away from Kmart to revitalize the aging chain. While at Kmart, he was vice president of specialty retailing

KKR has the reputation for letting the companies they buy run fairly autonomously, said Scott Conyers, securities analyst for Charter Investment Group, Portland. "KKR might have told him to knuckle down, quit his expansion and remodeling program and start making store operating profits hum," he hypothesized.

The operating profit margin in the four quarters before Stevens arrived was 3.3% of sales, Conyers said, while the margin in the four quarters ended November 1990 was 2.2%.

But Fred Meyer has "seen its nadir. Profits are heading back up," he added.

Conyers estimates operating profits reached $70 million for the fiscal year just ended on sales of $2.5 billion to $2.6 billion. That compares with $50 million in operating profit on $2.28 billion in sales in 1990, or less operating profit than in 1986 when sales totaled $1.67 billion. He predicts that the operating margin will reach 3.5% by 1993.

Stevens was reaching the end of a number of long-term revitalization changes, such as remodeling stores, building new and replacement units and installing a new computer system, Conyers said. But those changes hurt earnings in the short term.

With or without Stevens, the company was going to slow down its spending in 1991. Fred Meyers is building only three stores this year, including a replacement unit in Portland. It opened five new stores last year, including its first store in California, a 189,000-square-foot unit in the college town of Chico. It has placed on hold plans to enter the Sacramento market, even though it has purchased two sites there and another in Redding, Calif.

Fred Meyer now operates 122 units, of which 94 are large multi-department stores.

According to Brian Suher, vice president of Piper Jaffray & Hopwood's Portland office, Stevens was a success in every way and has left the chain "postured for growth."

He said those changes include updating an MIS system that was 20 years behind the times, reducing layers of upper management, appointing store managers for the first time, rather than have department managers report to central headquarters, and remodeling all but 10 of 121 stores.

But Fred Meyer paid a price: increasing long term debt to $270 million from $138 million when he arrived, Suher said. Fred Meyer can handle its debt level, with a long term debt to equity ratio of 0.83 to 1, he said, but investors prefer less debt.

Moreover, $132 million of that debt comes due from 1991 to 1994. That includes $8.1 million this year, compared to $1 million in 1990, $32.4 million in 1992; $32.4 million in 1993; and $59.1 million in 1994.

Fred Meyer said in a release that other executives will assume Stevens' responsibilities, so the board won't appoint an interim ceo.

Stevens' surprise departure is fueling speculation that another write-off is coming, said Richard D. Owens, analyst for Gallagher Capital, Portland. In the fourth quarter of 1989, ended Feb. 3, 1990, Fred Meyer took a write-off of $49.3 million for the costs of converting its computer system, resulting in a net loss of $6.8 million for the year.

Ken Thrasher, chief financial officer, is vehemently denying that there will be another such hit, Conyers said.

Owens estimated operating profits of $61 million on sales of $2.5 billion for the year just ended. Fred Meyer will report its 1990 results in mid-March.

Hills Secures Financing To Re-Establish Footing

(Continued from page 1)

base will be reviewed but specific cost-cutting measures, including more store closings, have not yet been determined.

Despite those cuts, Hills still plans to open two to four prototypes this year, and continue with its chain-wide remodeling program. After this year's introduction of several prototype formats, the chain had planned on remodeling 20 to 30 stores a year at a cost of $400,000 to $500,000 per unit.

Hills is already in the process of closing 28 stores, half of them former Gold Circle units which have been underperforming the chain. More store closings are likely to follow.

Despite the chain's crushing debt and its bankruptcy filing, Hills remains operationally profitable. In the third quarter ended Nov. 3—the most recent numbers available—Hills recorded an operating profit of $24 million, down from $31.5 million a year earlier. For nine months, operating profit totaled $19.1 million, down from $33.8 million a year ago.

Net results are another matter. Hills recorded a net loss of $36.1 million for the three quarters in 1990, up from a net loss of $24.4 million a year earlier. In the third quarter, Hills had a net loss of $3.99 million on sales of $557.7 million.

Hills financial woes are a combination of accumulated debt and aggressive store expansion.

The cauldron of events dates back to its 1985 leveraged buyout from the Shoe Corporation of America, which saddled the chain with crushing debt. The LBO was valued at $640 million. The situation was further aggravated in 1989 when Hills acquired 33 former Gold Circle stores.

In the chain's high growth years, 1985-1990, Hills expanded from 125 to 214 units. Couple that with a weak economy now in recession, declining overall retail sales, a troubled banking community with tight lending policies, and the Persian Gulf War, and the effect has been disastrous for Hills.

All of the above helped create the showdown on Jan. 15 when Hills missed an important interest payment on its subordinated debentures and stopped paying its vendors. Many vendors, in return, stopped shipping merchandise to Hills.

How successful Hills will be in turning the company around and emerging from Chapter 11 is unclear. Some industry observers are doubtful Hills can restructure the company and upgrade its store base quickly and effectively enough to make it a strong competitive force in the market. Others are cautiously optimistic.

Feldberg Takes Reins as Target Prez

(Continued from page 1)

place Bruce G. Allbright as chairman and ceo. Ulrich had served as president for three years, from 1984 to 1987. Allbright, who retired last year, became a corporate officer.

Target's plan is to expand to 700 stores by 1995 from 420, and Feldberg said that helping to meet the goal will satisfy his ambitions until 1995.

While at Lechmere for four years, Feldberg's ambition was to become president of a D-H division, recalled Frank Felicella, executive vp, store operations, Lechmere, which D-H sold in 1989.

As a cousin of Sumner Feldberg, co-founder of Zayre and now chairman of its successor company, TJX Cos., the new Target president is carrying on a name long associated with discounting.

After graduating from the University of Wisconsin with a degree in English, Feldberg took his first job in discounting as a systems analyst for Zayre's data processing division, writing job manuals for two years. "Warren wasn't even sure he liked merchandising until he went back to Harvard to get his MBA," Sumner Feldberg said. "A lot of retailers were courting him out of Harvard, including Dayton Hudson, he chose Bloomingdale's." Feldberg was vice president, men's apparel, when he left Bloomie's after eight years to become gmm of Lechmere.

In an interview with *DSN*, Feldberg disclosed little new about his visions of the future of both Target and himself. Instead, he stressed teamwork in his new role and helping to carry out his oft-stated goal: differentiating Target's merchandise from that of the competition and improving upon the quality of its goods.

"Target is privileged to have the best management team," the former college baseball pitcher said. "As a team athlete, I'm used to working as a team. My relationship with Ulrich won't change at all. We'll continue to pull as a team."

Jet Added to Air Wal-Mart

(Continued from page 3)

cuts to its current force of four Falcon jets, one Gulfstream jet and one helicopter, a spokesman said. He noted that the airplanes are used by all the Sears operations, not just the Merchandising Group.

The thrust of other retailers' deployment of their much smaller fleets is different from that of Wal-Mart. Other merchants use their planes to provide executives with greater flexibility in their travel plans, rather than having them rely on scheduled airlines or local air services.

Wal-Mart's air force is intrinsic to the retailer's operational philosophy of having headquarters and field executives meet weekly for direct face-to-face discussions.

The discounter uses its fleet to fly district managers nationwide to Bentonville every Friday for the chain's weekly Saturday morning meeting where headquarters and field executives discuss all aspects of the retailer's operations.

Until Wal-Mart opened seven stores in California and two in Nevada last year, its turbo prop fleet had enough range to reach all of its markets from the Rogers airport. But the nonstop distance to the West Coast, approximately 1,700 miles from Rogers, necessitated using longer range aircraft.

The FAA lists Wal-Mart's inventory of turbo props as a Cessna 150F; a Cessna 425; Beech E18S; six Rockwell Internation Commander 690B; a Rockwell Internation Commander 695, and a Gulfstream Commander 695A.

Sears Board to Ponder Retail Revamp

(Continued from page 3)

But Sears' retailing troubles resulted in Edward A. Brennan, chairman and chief executive officer, denying a *New York Times* report that the retailer planned to shut its 113-year-old catalog division and may resume talks on merging the Merchandise Group with Montgomery Ward.

Brennan's denials came as Standard & Poor's downgraded about $10 billion worth of Sears senior debt from A+ to A. S&P also lowers the senior shelf debt on the Discover Credit Corp., Sears' charge card subsidiary, to A from A+, but affirmed the A-1 rating of the commercial paper issued by Sears, Sears Roebuck Acceptance Corp. and the Discover subsidiary. Sears' plan to have Dean Witter issue a 'Prime Option' Visa card next month would enhance the bottom line of its financial services subsidiary which began the Discover card in 1985.

The Merchandising Group issues the Sears charge card. But the retailer said the proposed Visa card wouldn't be accepted in its Sears stores. MasterCard and American Express cards also aren't accepted in the stores.

Sears contends that tests have shown that bank and entertainment cards cut into customer use of the Sears and Discover cards and additional sales don't cover the handling costs. Sears Consumers Financial Corp., a Dean Witter operation, has gone to court to overturn a ban initiated in 1989 by Visa U.S.A., the parent of the Visa card. It prevents issuance of a Visa card by organizations associated with the Discover or American Express cards.

The Federal Court in Salt Lake City, Utah, is considering SCFC's request for a preliminary injunction to allow Sears' MountainWest Financial saving and loan association in Sandy, Utah, to issue a Visa card to 6.5 million consumers.

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